

PUBLIC DISCLOSURE

JANUARY 16, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CROBANK CREDIT UNION

217 STATE ROAD EAST
WESTMINISTER, MA. 01473

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CROBANK CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of January 16, 2001.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. The two geographic criteria were not considered since the institution defines its membership and therefore its assessment area by affiliation rather than location.

The credit union's lending activity has demonstrated an upward trend during the current exam period. The credit union's average loan-to-deposit (share) ratio of 64.6% during the current examination period resulted in the credit union receiving a rating of "meets satisfactory performance" in this category.

The credit union has granted a reasonable percentage of loans to low and moderate-income borrowers and meets the standards for satisfactory performance for this criterion.

Finally, the credit union has not received any complaints related to its CRA performance and fair lending performance was reasonable.

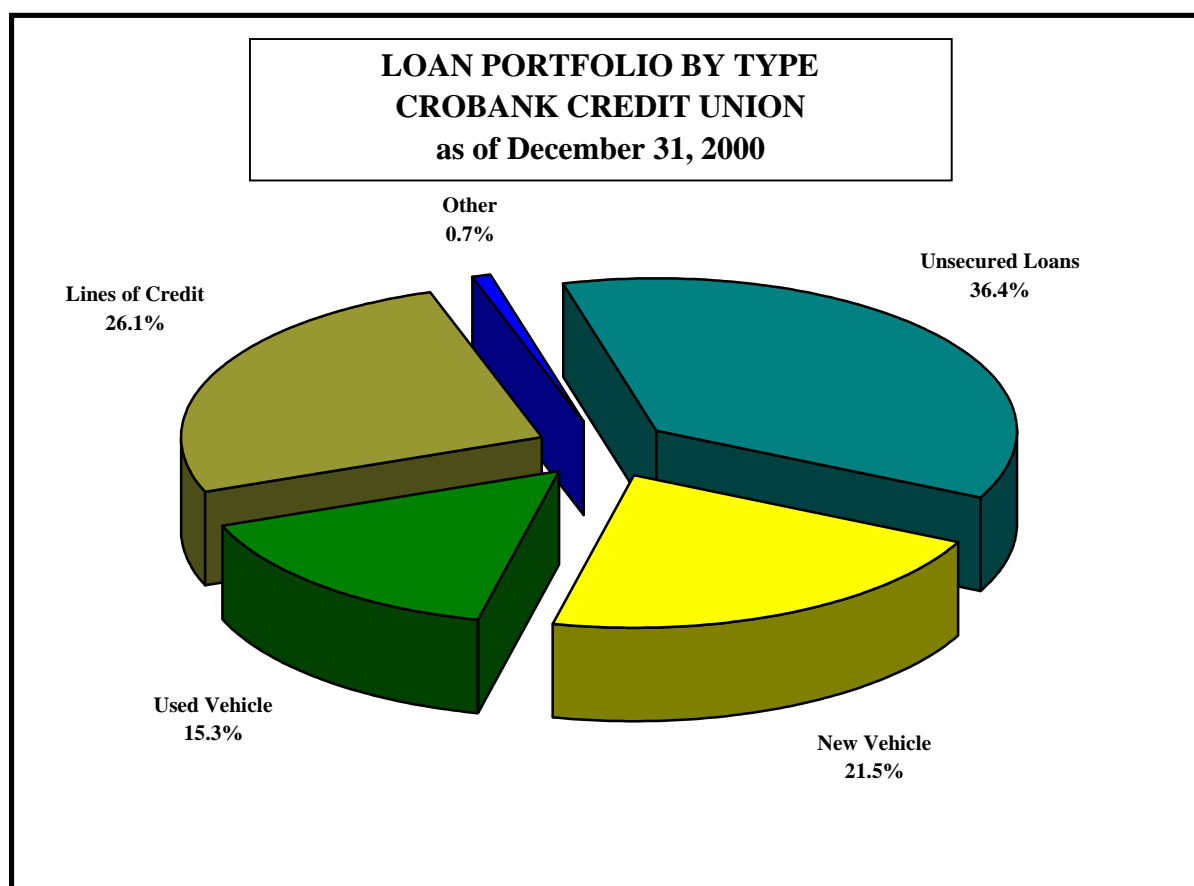
PERFORMANCE CONTEXT

Description of Institution

CroBank Credit Union is an industrial credit union, incorporated under the laws of the Commonwealth of Massachusetts in 1936. Its headquarters are in Westminister, Massachusetts at 217 State Road East. CroBank Credit Union was established to serve the employees of Crocker Burbank Co., Weyherhauser Co., James River Corp., Crocker Technical Papers and other paper related companies.

As of December 31, 2000, CroBank Credit Union had approximately \$1,692,514 in assets, of which 54.8% were in the form of loans. The credit union offers new and used automobile loans; shared secured loans; computer loans; and home improvement loans.

The following graph illustrates CroBank's Credit Union's loan portfolio distribution.



The credit union originates loans in all amounts as resources permit. Rates, terms, and conditions are competitive with other credit unions of similar size and type. The credit union has not denied a loan application during the current exam period. Loan underwriting

procedures were reviewed during the examination, as were the procedures for completing a loan application and no practices intended to discourage applications were found.

The credit union's hours are considered convenient and accessible to its members.

The credit union was last examined for CRA by the Division of Banks on April 10, 1998. That examination resulted in a "Satisfactory" rating.

Description of Assessment Area (Membership)

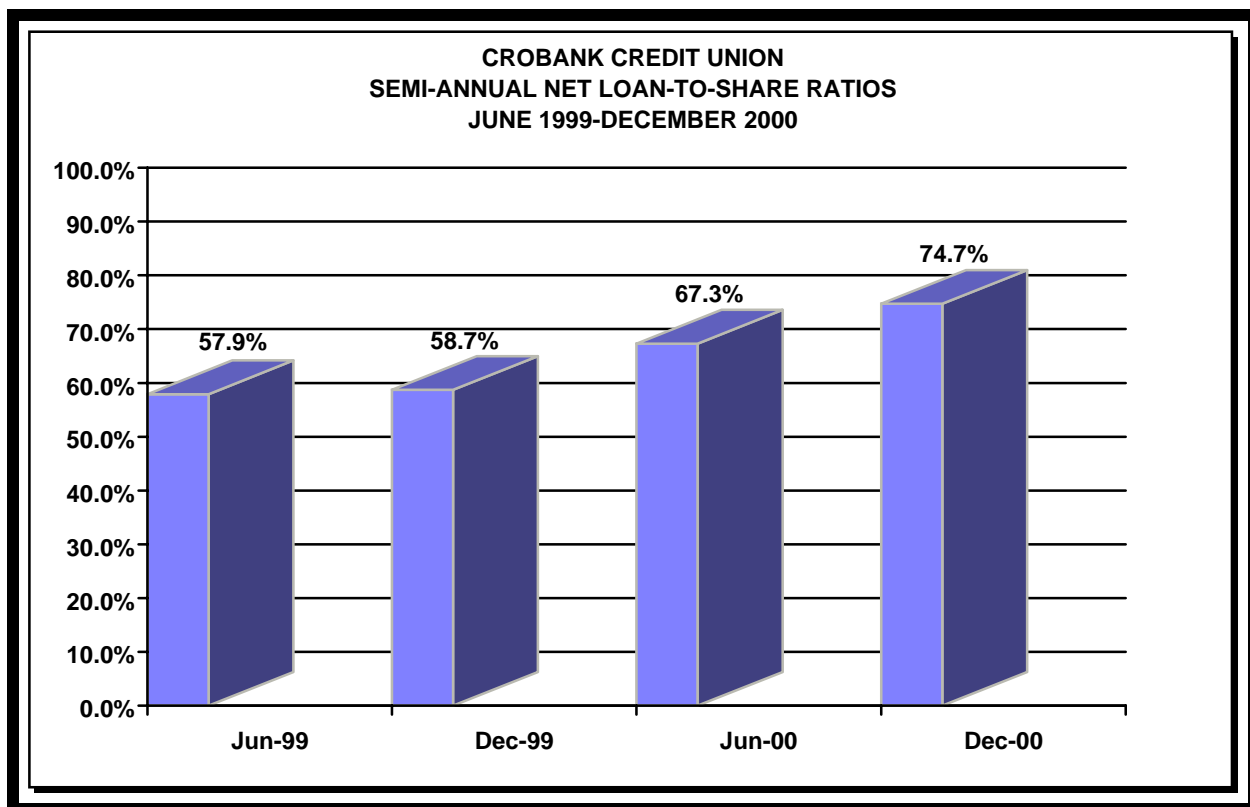
The Massachusetts CRA Regulation, 209 CMR 46.41 allows a credit union whose membership by-laws are not based upon residence to delineate its membership as its assessment area. Crobank Credit Union has elected to identify its assessment area in this manner. Membership is limited to employees or retirees of Crocker Burbank Co., Weyherhauser Co., James River Corp., Crocker Technical Papers and other paper related companies approved by the Board of Directors.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE) ANALYSIS

An analysis of CroBank Credit Union's net loan to share ratio was performed. The calculation incorporated four six-month periods of the credit union's net loan to total deposit figures as reflected in the credit union's semi-annual NCUA 5300 Reports. The periods reviewed included June 30, 1999, through December 31, 2000. The loan to share ratio has gradually increased from a low of 57.9% in June 1999 to a high of 74.7% in December 2000 averaging 64.6% for this period.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

As the above graph indicates, the loan to deposit (share) ratio has increased steadily over the period examined. This is primarily the result of a drop in net deposits, or shares from a high of \$1.6 million in June 1999 to a low of \$1.2 million in December 2000. This represents a decrease of almost 25.0 percent. Loans on the other hand have remained relatively stable, with some variations occurring during the summer months, but overall in the \$913,000 - \$945,000 range.

Based on the above information, CroBank Credit Union's average net loan to share ratio appears reasonable. Therefore, the credit union meets the standards for satisfactory performance in this category.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA.

The second performance criterion examines an institution's record of lending within its assessment area. However, under the revised CRA regulations, 209 CMR 46.41, a credit union whose membership by-law provisions are not based on residence, such as the CroBank Credit Union, may define its assessment area as its membership. Since CroBank Credit Union has identified its assessment area in this manner, a geographic analysis of the distribution of loans within the assessment area was not performed, as such an analysis would not be meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third performance criterion evaluates the extent to which CroBank Credit Union lends to members of different income levels within its assessment area. The following analysis of borrower income distribution for consumer loans granted in 1999 and 2000 demonstrates that the credit union's lending meets the standards for satisfactory performance.

A sample of originated consumer loans was reviewed in order to determine the distribution of credit based on the income levels of borrowers. The consumer loan sample consisted of 31 consumer loans originated in 1999 and 28 consumer loans originated in 2000.

Loans were categorized by the ratio of the applicant's reported income to the 1999 and 2000 estimated median family incomes of the Metropolitan Statistical Areas (MSA's) where the applicant resided. Income figures were based on estimated 1999 and 2000 data from the Department of Housing and Urban Development (HUD).

Refer to the following table below for the MSA incomes used for this analysis.

MSA	1999 ESTIMATED MFI (\$)	2000 ESTIMATED MFI (\$)
BOSTON	\$62,700	\$65,500
FITCHBURG	\$50,700	\$53,100
LOWELL	\$61,800	\$64,900
PITTSFIELD	\$45,000	\$47,500
WORCESTER	\$52,600	\$54,400
NON MSA	\$46,400	\$48,000

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income level of the MSA. Upper income is defined as income greater than 120 percent of the median family income level of the MSA.

The following tables present the distribution of consumer lending within CroBank Credit Union's membership, specifically as it relates to the number and dollar volume of loans originated by borrower income.

Consumer Loan Originations by Income of Borrower by Number

% OF MEDIAN MSA INCOME	1999		2000		TOTAL	
	#	%	#	%	#	%
< 50%	3	9.7	5	17.9	8	13.6
50% - 79%	11	35.5	7	25.0	18	30.5
80%-119%	9	29.0	11	39.3	20	33.9
>=120%	8	25.8	5	17.8	13	22.0
TOTAL	31	100%	28	100%	59	100%

Source: In-House Files

Consumer Loan Originations by Income of Borrower by Dollar Amount

% OF MEDIAN MSA INCOME	1999		2000		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
< 50%	11	4.5	23	13.7	34	8.2
50% - 79%	69	27.8	10	5.9	79	18.9
80%-119%	75	30.2	92	54.4	167	40.1
>=120%	93	37.5	44	26.0	137	32.8
TOTAL	248	100%	169	100%	417	100%

Source: In-House Files

As indicated in the above tables, 13.6% of the number of consumer loans were granted to low-income members, and 30.5% were granted to moderate-income borrowers. By dollar amount, 8.2% and 18.9% were extended to low and moderate-income members, respectively.

It should be noted that since consumer loans typically consider the income of a single applicant, the comparison to median family income may somewhat distort the data and result in a higher proportion of low and moderate-income borrowers. Nevertheless, the data above indicate that CroBank has successfully met the credit needs of its members.

Based on the analysis of the credit union's consumer loans, the credit union meets the standards for satisfactory performance in this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion examines the distribution of loans among census tracts of different income levels. As mentioned above, CroBank has elected to identify its assessment area as its membership, therefore a geographic analysis of the distribution of loans was not performed.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

CroBank Credit Union has not received any complaints related to its CRA performance since the previous examination.

The credit union does not have a formal fair lending policy. The following details the credit union's fair lending performance.

STAFF TRAINING

The credit union is staffed by only one individual, which makes it difficult for this employee to attend outside training. However, attempts are made to keep abreast of regulations and regulatory changes via publications issued by the Division, the NCUA, and the Credit Union League of Massachusetts.

STAFF COMPOSITION

The current staff consists of only one employee.

OUTREACH

Outreach efforts are limited due to the size and resources of the credit union.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Currently, no review of credit products or underwriting standards is performed by the credit union.

MARKETING

CroBank Credit Union markets its products through the use of loan rate cards, which are posted at each company offering payroll deductions.

CREDIT EDUCATION

The credit union has not sponsored or participated in any credit education seminars, primarily due to the small size of the institution and the types of loans it offers.

COUNSELING

No counseling takes place. Borrowers are notified when loans become delinquent. The credit union's manager/ treasurer is responsible for notifying borrowers concerning their past due accounts.

SECOND REVIEW PRACTICES

CroBank Credit Union's manager is responsible for the approvals and denials of all loan applications. The credit union has not had any denials during the current examination period. However, if a loan application is denied, it is reviewed by the credit committee prior to borrower notification.

INTERNAL CONTROL PROCEDURES

The credit union has one employee, therefore heavy reliance is placed on the credit union's audit committee for checks and balances with regards to CRA and Fair Lending.

MINORITY APPLICATION FLOW

Since the credit union only makes consumer loans, no data was available on the race of the applicants, which is a prohibited question on a consumer loan application. Therefore, no analysis of this criterion took place.

Given the credit union's small size and limited resources its fair lending policies and practices are adequate.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CROBANK CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 16, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.